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Facsimile Transmittal

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Jim,

Please distribute as you see fit.

Tony

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To: Billg, Steveb, Paulma, Bradsi, Mikemap
From Tonya
Re: Novell Trip Report
Date: 2/27/92
Cc: Jimall, Billp

Yesterday Jimall, Billp and I went to Provo for a meeting with Novell on the SDA and Development Projects. Rob Hicks, Jack Blount and Bob Young attended from Novell. David Bradford, General Counsel, also sat in on part of the meeting. Ray stopped by at the beginning and end of the meeting to express his interest in the discussions but otherwise wasn't involved.

The purpose of the meeting was:

- to resolve the outstanding issues on the SDA and Development Projects (DPs);
- finalize the agreement for the Novell driver to be included in Win 3.1; and
- finalize an amendment to the existing NDA we have with Novell which will enable us to send them some code and docs on NT so they can begin work on the NetWare client for NT.

The meeting got off to a rough start as a result of the new DP they had faxed to us the night before the meeting (DP #6). This agreement states that MS will license EMM386 and HIMEM to Novell (including source code) and assist Novell in making DR-DOS compatible with all current and future versions of Windows and Windows NT. They indicated they were very serious about this and failure to reach agreement on it would jeopardize the entire deal. We told them that DP #6 came as a complete surprise and it was a far cry from the earlier discussions which were focused on having the DR Systems Group as a beta site for Win 3.1 and future releases. We said it was highly unlikely that we would ever agree to anything close to DP #6. They argued that this would actually help sell Windows and would expand the market.

A few things became clear during the course of the day. This issue was raised within Novell when Dick Williams went crazy at an executive briefing on the deal. He found out that they weren't going to push the Windows compatibility issue as part of the deal and convinced them they will lose any leverage they have after the deal is signed. They claim that Darryl Miller was too soft on this issue during the opening discussions with Steveb and Jimall. They were less hard core on this being the deal killer as the day went on. Jack would like the opportunity to come to MS and "sell" us on why this would be a good thing for both companies. We told him we would have to go talk it over with Billg and Steveb to see if we would be willing to even be open minded on the issue. Jimall had a separate discussion with Jack at one point in the day on this issue and may have more data.

After we spent some time talking about DP #6, we decided we should try to make progress on the SDA and other DPs. There were only two issues of significance raised in the SDA - the residuals clause and maintenance modifications/enhancements. They accepted our language on residuals after some persuasion from Billp. We also reached agreement on the maintenance modifications/enhancements. Billp is making the changes

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to the SDA and will distribute copies to everyone on the distribution of this memo. The SDA should be close to final. Please review and send comments to Billp and I.

The DPs were more problematic as we had anticipated. We were only able to get through the first three of the remaining 5 DPs. A few common key issues arose in the discussion of these DPs.

1. Novell wants source to all of Windows 3.1, Windows NT and LM Windows 3.1 client.
2. Novell wants to place restrictions on MS' ability to use the Licensed Works to the "client" portion of the Novell client/server model. They define this to mean that network file and print services will not be offered to users on a network except through the interaction of a Licensed Work with NetWare server.
3. Novell wants to be able to charge MS a royalty in the event they begin licensing NetWare DOS clients using a client pricing model.

On the first issue, Novell believes the technology exchange as proposed by MS in the first draft of the DPs was to one-sided in MS' favor. Providing source code for Windows, Windows NT and the LM Win client was a way for them to equalize this. We told them the source for these items wasn't necessary to do the work and wouldn't be provided. They claim that they would be able to develop better clients if they had the source. We told them we would look to see if there were specific modules in the case of Win 3.1 that would be helpful to them. If so, we would consider providing these specific modules. We explained to them we were already doing this in the case of NT. Providing them LM code made no sense at all.

With the second issue, we agreed to not use the Licensed Works for anything but client development. But Jimall said restricting the offering of file and print services to users to only those cases where a Licensed Work and a NetWare server were present was beyond our ability to control and not agreeable. Jim mentioned that there were already a few NCP clones on the market which made this impossible to enforce. The presence of NCP clones came as a complete surprise to all of the Novelleans. They wanted to know who they were which Jim wouldn't tell. They held an "emergency legal" meeting for which Rob Hicks excused himself from our meeting to discuss these clones and how to go about "shutting them down" as Jack said. This obviously struck a nerve with them. Novell agreed to limit the NCP restrictions to our use of the Licensed Work on client code. MS still has the freedom to develop their own NCP server if they like but can't use any of the code/specs received from Novell under the SDA to do it.

On the third issue, we agreed that if Novell changed their licensing of DOS clients to a client pricing model that they wouldn't have to provide and further enhancements to the clients they had already provided us. We agreed there would never be any royalties due under these agreements.

Overall there was a fair amount of progress made but the DR/Win compatibility issue remains to be solved.

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We also finalized the agreements on the Novell driver for Win 3.1 and the NDA while we were there. Both agreements need to be signed by Novell - they didn't have the right people there to sign them. We will ship them the code/information they need to begin development on the NetWare NT client early next week.

Action Items

1. Jimall will meet with Billg and Steveb to address the DR/Win compatibility issue.
2. Billp will make changes to SDA and distribute. Copy sent to Novell after comments received.
3. Jimall will determine if any Win 3.1 source modules will be beneficial to Novell to develop Lamborghini client.
4. Jimall will decide if we are willing to agree to provide VNetBios and LSL (Link support layer) services in the Cobra client
5. Jimall will finish review of DP #4 and #5 and provide comments to Tonya so we can send to Novell.
6. Tonya will talk with Novell about another DP for the purpose of merging the ODI and NDIS specs.
7. Tonya will begin working with PR on announcement plans.
8. Tonya will arrange meeting with Steveb, Jimall, Paulma, Billp and I to review progress on SDA and DPs, resolve any issues and finalize strategy.
9. Billp will follow up on the agreements for the Novell driver for Win 3.1 and the amendment to the NDA to ensure that Novell signs them.

Jim and Bill, if there is anything else let me know.

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